

## SLIDE 8

THANK YOU DAVID FOR SETTING US UP WITH THE REGULATORY FRAMEWORK.

I WILL SPEND THE REST OF OUR TIME GIVING YOU THE OVERVIEW OF WHAT IS GOING ON WITH THE UIC PROGRAM IN CALIFORNIA SO YOU WILL HAVE THE BACKGROUND AND CONTEXT WHEN YOU ARE LOOKING AT THE COVERAGE OF THIS IN THE NEWS.

SO CALIFORNIA WAS GRANTED PRIMACY FOR THE UIC PROGRAM IN CALIFORNIA IN 1983 WHICH MEANS THAT THE CALIFORNIA DIVISION OF OIL AND GAS, WHICH IS NOW KNOWN AS THE DIVISION OF OIL, GAS AND GEOTHERMAL RESOURCES, OR DOGGR, IS THE AGENCY RESPONSIBLE FOR ISSUING PERMITS FOR CLASS II INJECTION WELLS IN THE STATE, AND FOR MONITORING COMPLIANCE WITH THOSE PERMITS.

THIS TABLE IS FROM 2004 BUT THE POINT IS THAT OIL AND GAS PRODUCTION IN THIS STATE IS VERY IMPORTANT. CALIFORNIA IS THE THIRD LARGEST PRODUCER OF OIL AND GAS IN THE UNITED STATES, BEHIND TEXAS AND NORTH DAKOTA.

ALSO FOR CONTEXT, CALIFORNIA HAS OVER 50,000 INJECTION WELLS AND SOME PORTION OF THOSE WELLS, WHILE THEY RECEIVED A PERMIT FROM DOGGR, THEY ARE INJECTING INTO NON-EXEMPT AQUIFERS. AND IN SOME CASES INTO FORMATIONS WHICH MAY CURRENTLY OR IN THE FUTURE, SERVE AS A SOURCE OF DRINKING WATER.

### SLIDE 9

IN 2011, THE THEN OIL AND GAS COMMISSIONER AND DAVID ORDERED A TOP TO BOTTOM AUDIT OF THE CLASS II UIC PROGRAM IN CALIFORNIA. THIS WAS A FORMAL AUDIT, WHICH LOOKED AT SOPS, PERMITS, AND COMPLIANCE MONITORING, AND IT FOUND QUITE A FEW DEFICIENCIES, WHICH WERE DOCUMENTED, IN A DETAILED REPORT. DOGGR RESPONDED WITH A ROAD MAP WHICH EXPLAINED ALL THE STEPS THEY WERE GOING TO TAKE TO CORRECT THE DEFICIENCIES.

A YEAR LATER, IN 2012, WE CONDUCTED A SECOND REVIEW WHICH LOOKED SPECIFICALLY AT THE AQUIFER EXEMPTIONS WHICH WERE GRANTED WITH PRIMACY IN 1983, AND IDENTIFIED WHAT APPEARED TO BE THE PERMITTING OF INJECTION WELLS INTO

FORMATION OR PARTS OF FORMATIONS WHICH HAD NOT BEEN EXEMPTED.

#### SLIDE 10

THIS WAS REVIEWED IN SOME MANNER BY DOGGR, BUT BY JUNE 2014 DOGGR HAD ENLISTED THE HELP OF THE STATE WATER RESOURCES CONTROL BOARD, WHO HAD BECOME THEIR PARTNER IN THE WORK THAT HAS BEEN GOING ON THE LAST FEW YEARS IN THE STATE TO BRING THE REGULATIONS TO GOVERN HYDRAULIC FRACTURING (OR FRACKING) IN THE STATE, AND THE WATER BOARD STARTED LOOKING MORE CLOSELY AT WHICH INJECTION WELLS MIGHT BE INJECTING INTO FORMATION WHICH HAVE A BENEFICIAL USE.

#### SLIDE 11

BY JULY DOGGR SHUT DOWN 11 WELLS (IN KERN COUNTY) THAT WERE FOUND TO BE INJECTING INTO FORMATIONS WHICH WERE NOT EXEMPTED AND THAT WERE OF GOOD QUALITY, OR LESS THAN 3000 TDS AND THERE WERE DRINKING WATER WELLS DRAWING FROM THESE SAME FORMATIONS. IT WAS AT THIS TIME THAT WE ALL HAD THE PLEASURE OF

ENJOYING THE VIEW FROM THE 18<sup>TH</sup> FLOOR WHILE BRIEFING JARED, SOMETIMES SEVERAL TIMES A WEEK.

WE, EPA, WROTE LETTERS AND THE STATE RESPONDED. WE ASKED FOR THEM TO GET A HANDLE ON THE ACTUAL NUMBER OF WELLS THAT MAY HAVE BEEN POTENTIALLY INJECTING INTO NON-EXEMPT AQUIFERS.

BY SEPTEMBER THERE WAS SOMETHING OF AN ACCOUNTING AND WE FOUND THAT THERE WERE OVER 500 WASTE DISPOSAL WELLS POTENTIALLY INJECTING INTO NON EXEMPT FORMATIONS AND OVER 2000 ENHANCED OIL RECOVERY WELLS INJECTING INTO NON EXEMPT HYDROCARBON BEARING ZONES. JUST RECENTLY WE FOUND OUT THERE ARE SEVERAL THOUSAND MORE, BUT WE ARE STILL WAITING FOR CONFIRMATION.

### SLIDE 12

IN DECEMBER JANE GAVE THEM A DEADLINE OF EARLY FEBRUARY 2015 TO GET A HANDLE ON THE PROGRAM AND TO FIGURE OUT HOW THEY WOULD GET THINGS COMPLETELY BACK ON TRACK BY FEBRUARY 2017.

### SLIDE 13

THEY DID PROVIDE THE DRAFT PLAN AND IT WAS AT THIS TIME THAT WE HIT THE NEW YORK TIMES WITH THE STORY BECAUSE EVEN THOUGH THEY KNEW JANE WAS RETIRING, THEY KNEW THEY HAD BETTER MEET HER DEADLINE.

ALSO, BECAUSE SO MANY WELLS ARE INJECTING INTO NON EXEMPT FORMATIONS AND MANY OF THEM WILL NOT BE ULTIMATELY BE SHUT DOWN BECAUSE THEY ARE ENHANCED RECOVERY WELLS AND THEY ARE INJECTING INTO HYDROCARBON ZONES THAT WILL LIKELY MEET THE CRITERIA FOR GETTING AN EXEMPTION FROM EPA, THE STATE HELD TWO WORKSHOPS FOR THE OPERATORS SO THEY WOULD GET A FEEL FOR WHAT WOULD BE REQUIRED WHEN SUBMITTING AN APPLICATION FOR AN AQUIFER EXEMPTION.

### SLIDE 14

OVER THE COURSE OF THE NEXT MONTH WE FINALIZED THE PLAN AND MEMORIALIZED IT INTO A SCHEDULE WITH TARGET MILESTONES TO ENSURE THINGS WOULD GET BACK ON TRACK. IF YOUR FIRST QUESTION IS HOW ARE

THEY DOING SO FAR, I CAN REPORT THEY MISSED THEIR FIRST DEADLINE BY TEN DAYS. BUT WE ARE HOPEFUL AND OPTIMISTIC.

### SLIDE 15

JUST A FEW MORE ITEMS TO BRING YOU UP TO DATE, THE ENVIRONMENT COMMITTEE OF THE CALIFORNIA STATE SENATE CONDUCTED AN OVER SIGHT HEARING OF DOGGR AND THE WATER BOARD IN EARLY MARCH AND IT WAS PRETTY UNFAVORABLE.

IN THE LAST FEW WEEKS THE GOVERNOR, WHO AS YOUR KNOW, HAS SIGNED ON TO MANDATORY WATER REDUCTIONS, AND THIS UIC ISSUE, WHICH IS A COMPONENT OF THE OVERALL STORY RELATED TO THE CALIFORNIA DROUGHT GOT SOME ADDITIONAL ATTENTION.

THE GOVERNOR GOT LETTERS FROM SOME STATE SENATORS, AND MEMBERS OF THE US HOUSE OF REPRESENTATIVES SIGNED ON AND ALL OF THESE FOLKS REQUESTED WELLS BE SHUT DOWN IMMEDIATELY.

### SLIDE 16

THE END OF MARCH THE ADMINISTRATOR GOT A LETTER FROM THE KERN COUNTY BOARD OF SUPERVISORS ASKING THAT SHE NOT SHUT ANY

WELLS DOWN.

SO STAY TUNED, THE REGION'S UIC PROGRAM IS  
WORKING HARD TO HELP CALIFORNIA REGAIN  
ITS COMPLIANCE WITH THE SDWA IN THE NEXT  
TWO YEARS. THANK YOU!